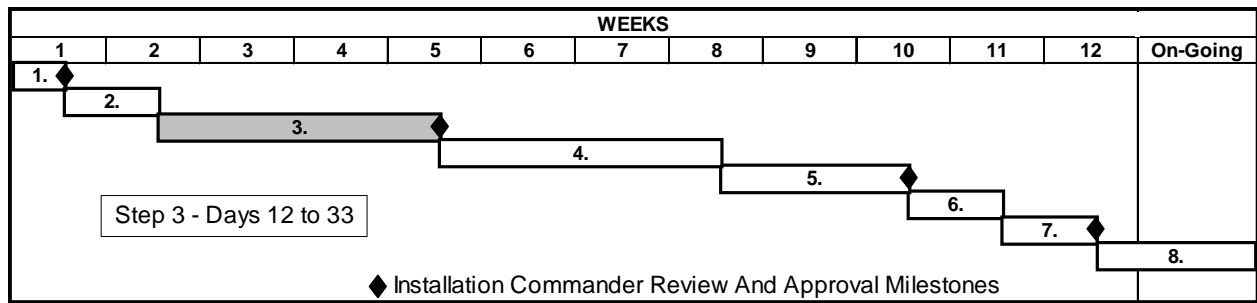


## STEP 3: DEFINE BUSINESS UNIT STRUCTURE



### 3.1 OVERVIEW

The purpose of Step 3 is to identify the Local Core Business Model (LCBM) for the installation, display it in a pictorial model, and to gain a detailed understanding of the functions and sub-functions within this model. This step has two principal phases. The first involves development of the model by the business unit analysis team as a whole. The second involves collection of information about functions and sub-functions within the model by individual members of the business unit analysis team.

At the conclusion of Step 3, the team prepares a report containing the model and a description of its components. This report forms the basis of a progress report to the installation commander. In addition, this model will be used later in Step 4 to collect costs for each function and sub-function. It will also form the basis in Step 5 for performance comparisons with industry or other installations.

**CO Tip:** The core business model developed in Step 3 may not exactly follow the organizational structure of the installation, but it will likely be very similar. The aim is to identify the various functions which, as a whole, produce a set of products or services that directly support the mission identified earlier in Step 2.

### 3.2 THE INSTALLATION CORE BUSINESS MODEL

**CO Tip:** To save time, the business unit analysis team may want to use the Installation Core Business Model (ICBM) developed by the Installation Management Accounting Project (IMAP) as a starting point in developing the installation's local core business model.

The Installation Management Accounting Project (IMAP), jointly chartered by the Assistant Secretary of the Navy (Financial Management and Comptroller) and the Deputy Chief of Naval Operations for Logistics, deployed a systematic way of capturing and reporting base operating costs within the Standard Accounting and Reporting System-Field Level (STARS-FL). Appendix C gives more information on the IMAP.

This method uses Cost Account Codes correlated with the Installation Core Business Model (ICBM) shown in Exhibit 4. Since cost accounting is already correlated with the ICBM, it is a good starting point in developing the LCBM. Using the ICBM as a starting point will likely save considerable time throughout the business unit analysis process, especially in Step 4, identifying resources associated with each business unit.

The IMAP Installation Core Business Model in Exhibit 4 arrays core businesses on the

top row with functions and sub-functions below the core business. For example, referring to Exhibit 4, Airfield Support, Seaport Support, Other Mission Support and so forth have been identified as core businesses. Under Airfield Support, Air Operations is identified as a function and its sub-functions include: Airfield Logistics, AT Control, Aviation Fuel Support, and so forth. Other Air OPS is a second function in the airfield Support business area and its sub-functions are identified in the block immediately below it.

### **3.3 BUILD LOCAL CORE BUSINESS MODEL**

The business unit analysis team should develop the LCBM.

**CO Tip:** In Step 4, the LCBM will be used in identifying resources associated with each business unit.

At this point, two options are available to the business unit analysis team regarding development of the LCBM. The team can start with a “clean sheet of paper”, study the installation’s businesses, and build the LCBM. Alternatively, the team can use the Installation Core Business Model presented above as a baseline, compare the installation’s business units to it and identify installation deviations from the Installation Core Business Model. In this manner, the team can quickly compare installation business units to the Installation Core Business Model, remove business functions from the model that the base does not perform, re-arrange business units within the model as appropriate and add local business functions not included in the model.

Exhibit 5 shows the Local Core Business Model developed in a similar recent study at

a Naval activity. A comparison of this model with the Installation Core Business Model in Exhibit 4 shows the inherent similarities between the two models, but there are differences to reflect the local business units which operate at that facility.

**CO Tip:** The challenge for the business unit analysis team is to assess existing business units and apply the thought process to create the LCBM for your installation.

### **3.4 COLLECT DATA ON LOCAL FUNCTIONS AND SUB-FUNCTIONS**

Once the LCBM has been developed for the installation, the second part of Step 3 is to develop a more detailed understanding of the core businesses, functions and sub-functions shown on the model. This part of Step 3 is aimed at gaining more detailed insights concerning customers, products and services, and the quantity and quality of products and services provided to customers. This information is collected at the sub-function level and then aggregated upward at the function and core business unit levels of the model. The information will be very useful in describing and understanding the overall business unit structure of the installation as well as later in Step 5, benchmarking or comparing performance with “best in class” activities or other commands.

#### **3.4.1 Business Unit Analysis Data Collection for Each Sub-Function**

The data collection worksheet in Exhibit 6 is designed to aid data collection within each sub-function. The form should be used to summarize data collected by team members in interviews with sub-function managers, employees and customers. Although there are various ways to collect the information,

one fairly straight forward approach is outlined below.

**CO Tip:** The information being developed here directly relates to an A-76 study. Recommend you refer to Exhibits 6 and 7 while reading the following:

- Who are our customers?

Identification of each sub-function's customers can be obtained by an interview of the sub-function manager.

- What products and services do we provide our customers?

Identification of products/services for each sub-function can also be obtained via interview with the sub-function manager or observation.

- What quantity of products and service do we provide our customers?

The quantity of products/services can be obtained by interview, observation, or from reports that exist on various sub-functions, e.g., the average number of children cared for in the child care center is available from existing reports.

- What is the quality of product and service from a customer point of view?

Obtaining the quality of product and service from a customer point of view for each sub-function may require a customer survey of some sort. There are various approaches which can be used ranging from an installation-wide customer service survey covering all sub-functions to more simple random

surveys of customers of individual sub-functions. The latter, more simplified approach, could better serve the time constraints of a 90-day schedule. It would make use of one or two questions on customer perceptions of quality as indicated on a five point scale. Exhibit 7 provides an example of a "mini-survey" which could be used for this purpose. This type approach can be used to assess customer perception of product/service quality for any sub-function across the entire installation. This information may also be useful in comparing performance with "best in class" activities or other commands. Once customer perceptions are ascertained, they can be summarized on Exhibit 6.

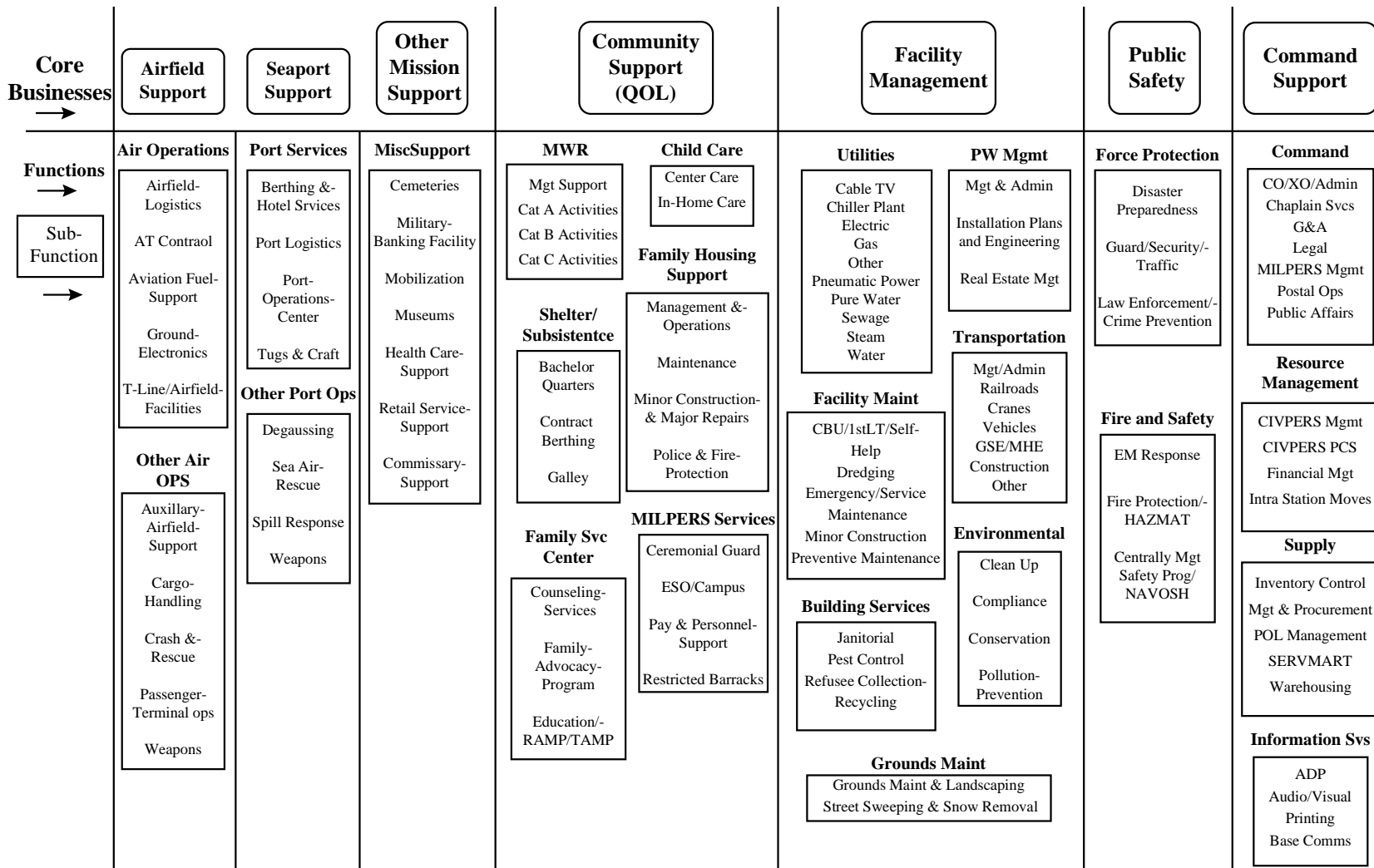
- What is the customer's perception of the cost of our products and services?

Ascertaining customer perceptions about reasonableness of costs for products and services may require a customer survey of some type. Exhibit 7 provides a means to obtain this information.

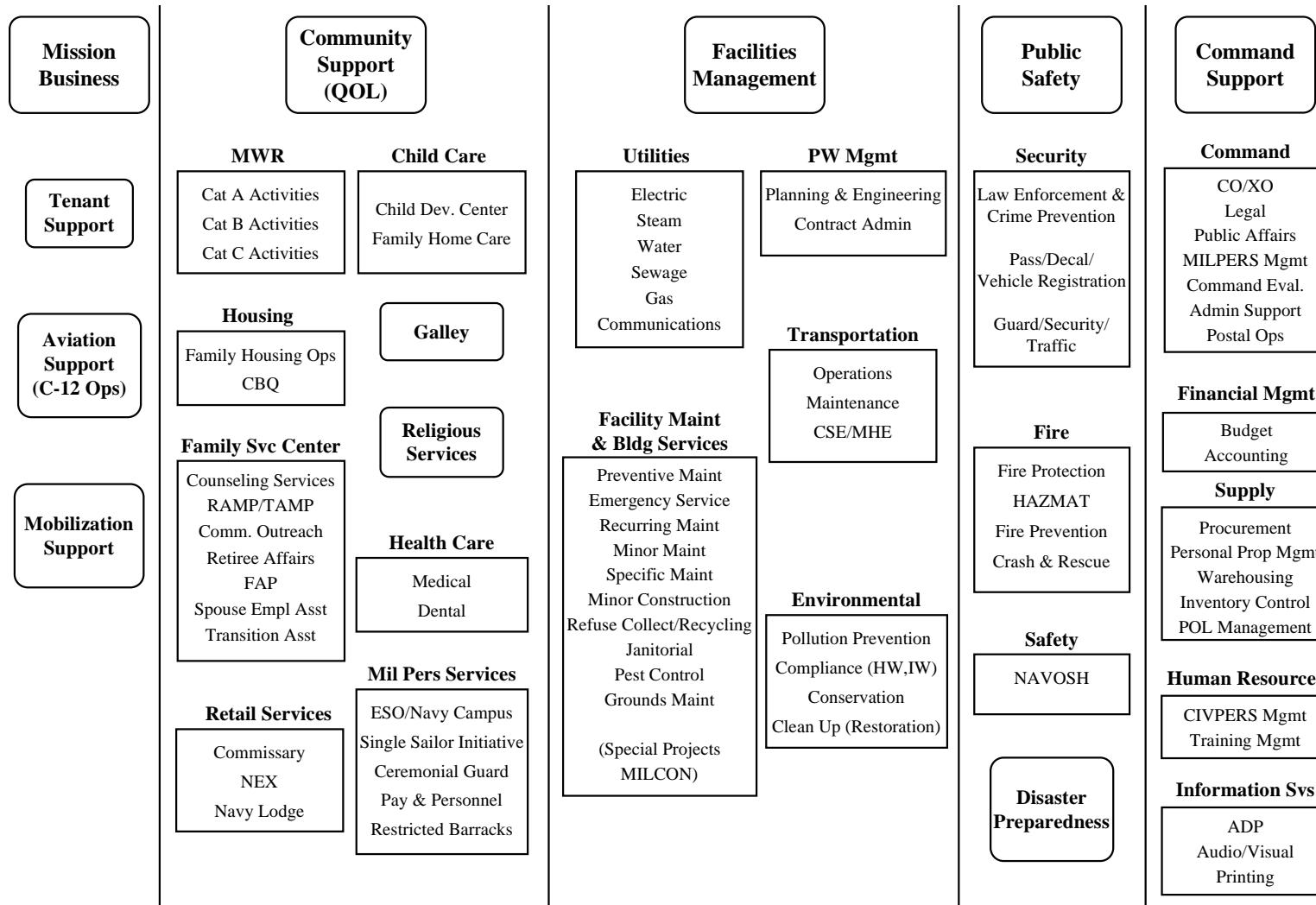
- How well do we meet our customer's expectations?

Ascertaining how well each sub-function meets customers' expectations may also require a customer survey of some type. Exhibit 7 provides a means to obtain this information. Once opinions are ascertained on how well the sub-function meets customer expectations, they can be summarized on Exhibit 6.

**EXHIBIT 4: INSTALLATION CORE BUSINESS MODEL**



## EXHIBIT 5: LOCAL CORE BUSINESS MODEL



## EXHIBIT 6: STEP 3 DATA COLLECTION WORKSHEET

Data Collection Worksheet	
<u>Step 3: Define Business Unit Structure</u>	
<div>This form should be used as a guide in collecting and documenting information for each sub-function identified in the Local Core Business Model (LCBM). Information collected for sub-functions can then be aggregated into functions and core business areas, as appropriate.</div>	
Core Business Area: _____	
Function: _____	
Sub-Function: _____	
1. Who are our customers?	_____ _____ _____ _____
2. What products/services do we provide them?	_____ _____ _____ _____
3. What quantity of products/service do we provide our customers?	_____ _____ _____ _____
(Current and Projected)	_____ _____ _____
4. What is the quality, from our customers' point of view, of the products/services we provide them?	_____ _____ _____ _____
5. What is the customer's perception of the cost of our products and services?	_____ _____ _____ _____
6. Do we meet our customers expectations? If not, why not (what are the barriers to meeting their expectations)?	_____ _____ _____ _____

**EXHIBIT 7: SAMPLE CUSTOMER SERVICE SURVEY**

<b>(Sub-Function Name)</b>					
You are one of our very valued customers. Please take a moment to let us know how we are meeting your needs by filling out this mini-survey and returning it to _____.					
	Poor	Fair	OK	Good	Excellent
<b>1. Thinking of the <u>products and services</u> we provide you, please rate each item below.</b>					
a) On Time Delivery	1	2	3	4	5
b) Sufficient Quantity	1	2	3	4	5
c) Adequate Quality	1	2	3	4	5
d) Reasonable Cost	1	2	3	4	5
<b>2. Overall, how well do we meet your expectations for our products/services?</b>	1	2	3	4	5
<b>3. (Any other questions you wish to add)</b>	1	2	3	4	5

**3.4.2 Complete Worksheet for Each Function and Core Business Area**

After gathering data and completing the Step 3 data collection worksheet for each sub-function, the next task is to aggregate sub-function results into a single summary for each function. Following this aggregation of results at the function level, the information can then be summarized to the core business level. This process of upward accumulation consists mainly of gleaning the most salient information from each sub-function's summary and then compiling a more general summary at the function level, and subsequently at the core business area level.

**3.5 PREPARE PROGRESS REPORT**

After developing the LCBM and completing data gathering and summarizing information

for sub-functions, functions and core business areas, the BUA team should prepare a progress report and provide an update to the installation commander for review and approval. The report should include the following main topics:

- 1) Base mission (from Step 2);
- 2) List of installation customers and the major products provided them (from Step 2);
- 3) LCBM chart showing core businesses, functions and sub-functions (from Steps 2 & 3);
- 4) Textual description of the core businesses, functions and sub-functions (from Step 3); and

- 5) Highlights of customer satisfaction surveys, “good and bad” (from Step 3).

### **3.6 DELIVER PROGRESS REPORT TO INSTALLATION COMMANDER**

Before beginning to identify resources associated with each sub-function in Step 3, the installation commander will likely desire to review and approve progress to date. This also provides an opportunity for an in-course correction, if appropriate.

**CO Tip:** Recommend an executive summary briefing covering the areas outlined above for the progress report.

### **3.7 PRODUCTS OF THIS STEP**

- LCBM report with model and a description of its contents
- CO progress report/briefing